ANNUAL REPORT
1988-89

Alberta Petroleum Incentives Program Fund

ENERGY
Alberta Petroleum Incentives Program

ALBERTA PETROLEUM INCENTIVES PROGRAM (APIP)

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Alberta
ENERGY

Office of the Minister

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March 1990

The Honourable D.J. Carter
Speaker of the Legislative
Assembly of Alberta

Sir:

In accordance with section 2(6) of the Petroleum Incentives Program Act, I have the honour to submit the eighth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1989.

Respectfully submitted,

Rick Orman
Minister of Energy

Alberta
ENERGY

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March 1990

The Honourable Rick Orman
Minister of Energy
228 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

I have the honour of presenting to you the eighth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1989.

Respectfully submitted,

M.F. Kanik
Deputy Minister
Alberta Energy

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General Background Information

The Alberta Petroleum Incentives Program (APIP) was created by the Petroleum Incentives Program Act passed by the Alberta Legislature in November 1981, subsequent to the Canada/Alberta Memorandum of Agreement Relating to Energy Pricing and Taxation signed in September 1981. Under the terms of the Agreement, Alberta undertook to administer and fund the portion of the federal Petroleum Incentives Program applying to oil and natural gas exploration and development activities in Alberta. The Petroleum Incentives Program was created in October 1980, to provide cash grants to Canadian owned and controlled companies in lieu of the earned depletion allowances provisions of the corporate income tax system.

APIP's objective was to encourage the exploration and development of Alberta's petroleum and natural gas resources. The program also supported work on tertiary oil recovery projects. Under the program, eligible applicants obtained APIP incentive payments equal to a percentage of their incurred eligible costs and expenses, including exploration and development expenses for oil and gas wells; geological and geophysical expenses, and development drilling and asset costs related to tertiary oil recovery projects.

The filing of applications was permitted to March 31, 1988 for eligible expenses incurred during the period January 1, 1981 to March 31, 1986 and eligible expenses and costs incurred in respect of tertiary recovery projects up to December 31, 1986.

Summary of Activities

A LOOK BACK ...
FISCAL YEAR 1988-89

Incentives totalling $2,217 million were paid by the program to-date for the following activities:

ACTIVITIES	(MILLION)
Exploration Drilling	$1,298
Development Drilling	446
Geological, Geophysical and Geochemical	258
Asset Costs, Unit Agreements and Drilling Contributions	85
Overhead	130
TOTAL INCENTIVES	$2,217

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Energy

I have examined the balance sheet of the Alberta Petroleum Incentives Program Fund as at March 31, 1989 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Donald D. Salmon
FCA
Auditor General

Edmonton, Alberta
September 6, 1989

Alberta Petroleum Incentives Program Fund
Balance Sheet
As at March 31, 1989

	1989	1988
ASSETS		
Current:		
Cash	$5,856,250	$ 1,530,375
Incentive grant overpayments receivable (Note 3)	-	18,107,290
Due from the General Revenue Fund	-	37,718,911
	$5,856,250	$57,356,576
LIABILITIES		
Current:		
Incentive grants payable	$ 179,146	$57,356,576
Due to the General Revenue Fund	5,677,104	-
	$5,856,250	$57,356,576

The accompanying notes are part of these financial statements.

Alberta Petroleum Incentives Program Fund
Statement of Revenue and Expenditure
For the Year Ended March 31, 1989

	1989	1988
REVENUE		
Interest	$ 2,598,903	$ 7,171,253
EXPENDITURE		
Incentive grants issued (recovered) (Note 4)	(2,494,758)	74,179,778
Administration expenses (Note 5)	2,528,781	5,049,720
Provision for doubtful debts	(802,354)	4,152,185
	(768,331)	83,381,683
Excess (deficiency) of revenue over expenditure for the year	3,367,234	(76,210,430)
Transfer from (to) the General Revenue Fund	(3,367,234)	76,210,430
	$ -	$ -

Alberta Petroleum Incentives Program Fund
Notes to the Financial Statements
March 31, 1989

Note 1 Authority

The Alberta Petroleum Incentives Program Fund operates under the authority of the Petroleum Incentives Program Act, Chapter P-4.1, Statutes of Alberta 1981. Incentives grants are not payable in respect of costs and expenses incurred after December 31, 1986. The final date for filing applications for grants was March 31, 1988.

Note 2 Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Incentive Grant Overpayments Receivable

Incentive grant overpayments receivable at March 31, 1989 of $9,099,353, including accrued interest, are fully provided for by an allowance for doubtful accounts (1988 allowance $10,888,362).

Note 4 Incentive Grants Issued (Recovered)

Incentive grants issued are shown net of grant overpayments recovered.

	1989	1988
Exploration	$(1,693,493)	$28,254,042
Geophysical	(3,527,423)	16,713,025
Asset Cost	1,620,346	14,225,634
Unit Agreement	(95,143)	3,649,989
Development	893,223	2,162,702
Overhead Allowance	307,732	9,174,386
	$(2,494,758)	$74,179,778

Alberta Petroleum Incentives Program Fund
Notes to the Financial Statements
March 31, 1989

Note 5 Administration Expenses

Administration expenses are charged to the Fund pursuant to Section 3(8) of the Act. Costs incurred during the year ended March 31, 1989 by the General Revenue Fund in connection with the administration of the Fund are summarized below:

	1989	1988
Salaries, wages and payments to contract employees	**$1,495,156**	$2,807,390
Professional, technical and labour services	**551,428**	1,634,025
Employee benefits	**101,512**	312,551
Repairs and maintenance	**97,360**	117,065
Allowances and supplementary benefits	**93,745**	27,017
Data processing services	**78,359**	53,464
Travel expenses	**75,991**	19,978
Materials and supplies	**17,873**	50,451
Rentals	**8,555**	9,337
Freight and postage	**7,330**	11,689
Telephone and communications	**1,197**	5,649
Hospitality	**275**	1,104
	$2,528,781	$5,049,720

Note 6 Contingencies

The Fund has incentive grant expenditure contingencies, net of potential recoveries, of approximately $822,000. The Fund is awaiting the results of legal actions and claims audits to finalize these grants.

Note 7 Approval of Financial Statements

These financial statements have been approved by management.